

BROMFORD HOME OWNERSHIP LIMITED

Financial Statements

for

the year ended 31 March 2019

**Co-operative and Community Benefit Society
Registration Number 29991R**

**Regulator of Social Housing
Registration Number L4450**

Bromford.

Bromford Home Ownership Limited

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Bromford Home Ownership Limited

General Information For the Year Ended 31 March 2019

Board members

The Board Members who served from 1 April 2018 up to the date of approval of these financial statements were as follows:

	Position	Appointment/Retirement Date	Meetings Attended 2018/19
Jonathan Simpson-Dent	Chair	Appointed 7 April 2015	9 out of 9
Oke Eleazu	Vice Chair and Senior Independent Director	Appointed 1 April 2015	8 out of 9
Nick Cummins	Executive Director of Operations	Appointed 1 April 2015 Retired 2 July 2018	1 out of 1
Philippa Jones	Chief Executive	Retired 31 December 2018	6 out of 6
Christine Baldwin	Independent Non-Executive Director	Appointed 1 April 2015 Retired 2 July 2018	1 out of 1
Stephen Dando	Independent Non-Executive Director	Appointed 24 November 2015	8 out of 9
Sally Higham	Independent Non-Executive Director	Appointed 1 April 2016 Retired 2 July 2018	1 out of 1
Balvinder Heran	Independent Non-Executive Director	Appointed 1 April 2016	8 out of 9
Lee Gibson	Executive Director of Finance	Appointed 1 August 2016	9 out of 9
Robert Nettleton	Chief Executive Designate Chief Executive	Appointed 2 July 2018 Appointed 31 December 2018	8 out of 8
Vivienne Horton	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Richard Bird	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Richard Penska	Independent Non-Executive Director	Appointed 2 July 2018	7 out of 8
Neil Rimmer	Independent Non-Executive Director	Appointed 2 July 2018	8 out of 8
Helen Adlard	Independent Non-Executive Director	Appointed 2 January 2019	3 out of 3

Meetings attended reflects the number of Board meetings that were attended by each Board member out of the total number of Board meetings they were eligible to attend.

	Appointment/Retirement Date
Company Secretary	
John Wade	Retired 1 August 2018
Sarah Beal	Appointed 1 August 2018

Bromford Home Ownership Limited

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Advisors:

External Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Business Assurance Provider:

Mazars LLP
45 Church Street
Birmingham B3 2RT

PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol BS2 0FR

Bankers:

Barclays Bank plc
15 Colmore Row
Birmingham B3 2BH

Taxation Advisors:

Beever & Struthers LLP
St George's House
215-219 Chester Road
Manchester M15 4JE

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton WV10 6AU

Bromford Home Ownership Limited

Board and Strategic Report For the Year Ended 31 March 2019

The Board of Bromford Home Ownership Limited ('BHO') is pleased to present its annual report and financial statements for the year ended 31 March 2019.

Who are we and what do we do?

BHO is a subsidiary of Bromford Housing Group Limited ('BHG'). It is a Registered Provider of Social Housing and a Registered Society under the Co-operative and Community Benefit Societies Act 2014. Together, BHG and its subsidiaries are known as '**Bromford**'.

Bromford exists to provide affordable homes for people who can't access market housing. We believe in providing safe, secure and warm homes, but we're ultimately a people business. Not only do we care about what happens to people that live in a Bromford home, we want people to thrive.

That's why our purpose is simple and honest. *We invest in homes and relationships so people can thrive.*

Bromford is a housing group – one that owns 43000 homes; has individual relationships with more than 100,000 customers; has a very strong balance sheet; and plans to build a further 14,000 new homes over the next decade. All this is only possible because of the 1,800 people who work for the organisation.

BHO's principal activities are the ownership and management of Bromford's Shared Ownership properties and activities.

Our Board – who are they and what do they do?

BHG is the parent company of BHO. Under Bromford's Governance Framework, BHO delegates matters of governance and financial authority to the BHG Board (The Board).

The BHG Board's role is to **set and uphold Bromford's strategy and values** and to make sure that **effective leadership** and **sufficient resources** are in place for Bromford to achieve its strategic aims and objectives. The Board monitors and tests **performance** in relation to approved plans and budgets and is also responsible for determining risk appetite, to make sure good governance and decision-making is taking place. It promotes and supports our probity and values and makes sure that there are succession plans for Board members and the senior team. Bromford's day-to-day leadership is delegated to the Chief Executive.

Bromford's statement of strategy (published on our website) describes our '**DNA**' (**Fig. 1**). Our DNA is what we stand for and the behaviours, qualities and values that represent what it means to **Be Bromford**.

Board and Strategic Report
For the year ended 31 March 2019



Fig 1. Bromford DNA

Board composition, meetings, decisions and delegations

The BHO Board operates as a unitary board.

Up to the 1 July 2018, our Board had nine members - three Executive Directors (our Chief Executive, Executive Director of Operations and Executive Director of Finance) and six Non-Executive Directors (NEDs).

From the 2 July 2018, our Board comprised 11 members – three Executive Directors (our Chief Executive, Chief Executive Designate and Executive Director of Finance) and eight NEDs. On 2 January following the transfer of engagements of Severn Vale into Bromford, an additional NED was appointed, bringing the total board members to 12.

NEDs are recruited for their skills and experience and are appointed for an initial term of three years. Reappointment following the initial term is not automatic and NEDs are required to satisfy continuing independence and performance-related criteria before they are appointed for a second, three-year term. Any term beyond six years is subject to rigorous annual review which takes into account the need to progressively refresh the Board.

NEDs are offered ongoing training, support and access to independent professional advice to enhance their decision-making and help them discharge their duties effectively.

Bromford Home Ownership Limited

Board and Strategic Report For the year ended 31 March 2019

The time commitment required from NEDs is currently between 12 and 15 days per annum. The other significant commitments of the Chair, Jonathan Simpson-Dent, and NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

Board meetings and attendance.

The BHO Board meet nine times a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. NEDs also participate in 'experience it' days to keep in touch with the business and our customers.

The general information section on page 1 sets out each current Board member's attendance at Board and committee meetings during the financial year.

Board and Committee Decision-making

Strategy, financial viability and risk management are important factors in the management and performance of the organisation. Our Governance and Delegations Framework helps us to achieve this by making sure that decisions are made by the right people or groups by specifying which matters are reserved for the Board, its committees and senior management. For reports from our committees refer to Report of the Board of Committees in the Group financial statements.

Value for Money

Ensuring Value for Money for our customers and our group is ingrained in our culture enables us to deliver our Strategy, and to enable customers to thrive. Our value for money statement is published within our Group financial statements.

Statement of compliance with the regulatory standards

Our regulator, the Regulator of Social Housing (RSH), publishes a Regulatory Framework and Regulatory Standards. The Regulatory Standards comprise of the Economic Standards (namely the Governance and Financial Viability, Value for Money and Rent Standards) and the Consumer Standards (namely the Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community Standards).

One of the core Economic Standards is Governance and Financial Viability. This requires Registered Providers (RPs) to have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. It also requires RPs to manage their resources effectively, to make sure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.

As part of being regulated by the RSH, Bromford has been given a rating for governance, as assessed against the Governance and Financial Viability Standard. Bromford maintains a G1 governance and V1 financial viability rating, the highest ratings on the scale throughout the financial year ended 31 March 2019.

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. Bromford's Modern Slavery statement is available on the website.

Each year the RSH requires RPs to assess their compliance with the Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the RSH specific expectations are being complied with.

Following our annual review of compliance, the BHO Board are pleased to confirm that during the year ended 31 March 2019, we consider that the Association has complied with all applicable outcomes and specific expectations of the Governance and Financial Viability Standard and its accompanying Code of Practice and with the outcomes and requirements of all the other economic and consumer standards.

Bromford Home Ownership Limited

Board and Strategic Report For the year ended 31 March 2019

Statement of compliance with our code of governance

We have adopted the UK Corporate Governance Code (the 'UK Code'). The UK Code reflects our commercial outlook, focus on achieving the highest possible standards of accountability and transparency, and our desire to position ourselves alongside other high-achieving organisations, regardless of sector.

As we do not have shareholders in a conventional sense; some aspects of the UK Code (such as Section E) don't apply to us. However, we strongly support the objectives that this section aims to achieve and this is reflected in the open and transparent way we deal with our partners and stakeholders.

The UK Corporate Governance Code 2018 will apply for our financial year 2019/20. The Board has been planning for its introduction and although the Code will see significant changes in the reporting requirements we have identified, through gap analysis, that many of the requirements are already reflected in our working practices. Where there were gaps we have developed new arrangements and have adopted a new Governance Framework from 1 April 2019, to support our compliance reporting in our next accounts.

Each year the Board reviews compliance with the UK Code and during the financial year ended 31 March 2019 we consider that Bromford has complied with all relevant principles and provisions of the UK Code.

Statement of compliance with the general data protection regulation (GDPR)

GDPR became enforceable on 25 May 2018 and, using a planned approach, we have taken appropriate steps to ensure that Bromford is GDPR ready. On 2 July 2018, we appointed Chris Down as our data protection officer.

Governance effectiveness review

Each year the Board carries out a formal evaluation of Board, committee and individual director performance. Every three years, as recommended by the UK Code, this evaluation is facilitated by an external advisor to provide an independent perspective.

During the period November to February 2018 Altair, an external advisor, carried out an independent review of Governance Effectiveness and prepared a report which was used to support development of the new Board. The Chair carried out in internal review in January 2019, and it has been agreed that as a result of the significant amount of change that there be a further external review during 2019/20.

Mergers

The Board has considered the NHF voluntary Code of Practice on mergers and partnerships (the Code) and believes that some aspects of the detail set out in the Code are too prescriptive to be applied in practice to the very wide variety of ways in which mergers and partnerships between housing associations can be initiated. We adhere to the good governance principles and provisions set out in the UK Code.

Openness and transparency

Bromford has always been a strong advocate for openness and transparency because we recognise the key role it plays in stakeholders getting the information they need to make informed decisions about how we operate and use our resources.

With that in mind, we have set up a brand new investor relations page on our website with the latest news and stats around our financial performance and have redoubled our commitment to transparency by being quicker on our financial reporting and now produce six-monthly updates on this. As in previous years, the 'Get to know us' section of the website also contains copies of our key policies and procedures, alongside copies of our statement of strategy, Governance Framework and Probity Policy.

We also recognise how important being open and transparent is for delivering fair and effective customer service as well as maintaining the strong culture between colleagues that has long-existed in all three legacy organisations. Over summer 2018 we held over 30 workshops across our new operating area with nearly 500 colleagues attending

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and giving us their views on why Bromford is special for them, what makes us stand out from the crowd, and how we should operate in the future. From this our new values, referred to as DNA, were born and these are outlined in Fig. 1. and now guide how every colleague behaves and acts both with others and each other.

A key aspect of being open and transparent is interacting with our customers, partners and stakeholders in ways which are practical and productive. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this. Alongside traditional contact methods such as phone and email, we also have a growing presence online with active social media accounts across Facebook, Instagram, LinkedIn and Twitter. Customers tell us they like the flexibility this offers and the ability to proactively manage their relationship with us in different ways, depending on their situation. This approach is meaning customers are increasingly feeling able to give us their feedback and views on how things should operate – with 9,566 customers giving us their feedback in 2018/19 – a rise of 20% from the previous year.

Our restructured customer involvement programme, with a new Customer & Communities Involvement Network (CCIN) and Locality Influence Networks (LINs) working far closer with the Bromford Board, is devolving more decision-making to the people who live in our homes and increasing transparency for all.

Risk management and internal control

Risk Overview

Effective risk management is at the heart of our business and has an important part to play in delivering our purpose. We have well-established risk management processes, and control frameworks, which guide and support how our colleagues work, behave and the decisions they make.

How we manage our risks?

Our Board defines clear statements and tolerances that set out the type and amount of risk we are prepared to assume as we deliver our strategy, plans and run our day-to-day operations. This informs our strategy for managing risks and determines the controls we put in place to mitigate them. This provides clarity to colleagues and key stakeholders on the way we do business; enabling informed individual decision making and empowerment, and a clear framework for considering risk and capacity when formulating strategic and tactical business decisions.

Our financial risk capacity (the amount of risk we can assume considering capital, liquidity, borrowing and regulatory requirements) is embedded within the financial framework and golden rules. We also have regard for non-financial elements; people, customers, capability and operational systems, and the cumulative impacts of these factors. For further detail on our enterprise risk management framework see the section on page 10.

Our principal risks

Bromford is exposed to the principal risks as set out below. Key risks are determined by the Board, and appetite and tolerances set. Business risks are monitored with escalation through executive forums, Audit & Risk Committee and then to Board.

Legal & Regulatory Risk
The risk that Bromford fails to design and implement operational arrangements, systems and controls such that it can maintain current and future legal, regulatory and safety requirements.
Board Risk Appetite
Bromford recognise that legal, regulatory and safety requirements exist to ensure the safety of our people and our business and we take these responsibilities seriously. Bromford will ensure both compliance and people safety, identifying all applicable regulation, legislation and codes through internal and external sources and will maintain assurance of compliance across all the three lines of defence to maintain the highest Governance rating for RP's. Our risk appetite is minimal, as we will do everything that is reasonably practicable to ensure compliance and is averse with respect to landlord asset compliance and health and safety risks.

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Key Risks	Mitigations
Death, injury or harm caused to colleagues, customers, contractors or members of the public.	Maintaining external accreditation, and practices validated by independent bodies. Rigorous testing of processes and reconciliation of data through 1 st , 2 nd and 3 rd line activity and technical experts for legal asset compliance. Mandatory training programme to ensure all colleagues competencies are up to date and fit for purpose.
Responding to the customer voice (customers in control)	Customer and Communities Influence models at Group level and localities connect us with customer and a strong tie back to Board. Continuous engagement through the neighbourhood coaching model, customer feedback and complaints and analysis.

Strategic Risk	
The risk that Bromford is unable to deliver against its business plan, either through poor strategic business decisions and/or failing to properly implement those plans.	
Risk Appetite	
Our strategy sets the direction of our business and informs all business activity. Bromford will maintain robust change protocols and rigorously prepare and track implementation against our strategy. As an innovative business our appetite is open as we have set ambitious plans and have multiple channels for delivery to achieve the targets set.	
Key Risks	Mitigations
Macro-economic and political uncertainty	Identifying and monitoring potential risks to the business through dedicated horizon scanning, government policy review and monthly Board briefing. Stress testing scenarios and resilience plans account for a variety of economic and non-economic scenarios and reflect Brexit impact and mitigations.

Development/Commercial Risk	
The risk that Bromford has insufficient income, capacity and/or opportunity to deliver its development ambitions.	
Board Risk Appetite	
Bromford have the financial strength and capability to enable even more customers to thrive. Bromford will take a balanced view on short and longer-term risk and identify opportunities and strategic partners to deliver new homes at scale. We will remain nimble and pursue different types of opportunities as long as they enable us to build more affordable homes. Our appetite is open as we seek to remain competitive in the market place whilst proactively seeking new opportunities for sustainable growth both in the short and longer term. We aspire to deliver a balanced programme which will enable us to deliver significant growth and ensure we build homes and communities our customers aspire to live in.	
Key Risks	Mitigations
Delivery of new homes aspirations	Rigorous monitoring of the external market and review of business risks that may impact on our programme. A dedicated forum considers opportunities against strategy and monitors and track progress against plan with monthly reporting to Board. There are financial limits in place on items that require review and approval by the board, and these and exceptions to existing parameters, and their value for money impacts are considered by the Board.
Housing market sales	Approvals on all schemes include testing and exit strategies ahead of commitment. Performance data is tracked through a dedicated Forum to ensure we are delivering the sales programme and income assumed in appraisals. Specific golden rules and limits on sales % of overall homes programme to support new strategy and considering operating environment.

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**Board and Strategic Report
For the year ended 31 March 2019**

Operational Risk	
The risk that Bromford is unable to maintain business continuity through inadequate or failed internal process, technology, people or impacts from external events. This may include power outages, theft or people shortage.	
Board Risk Appetite	
Our core business is the main reason for which we exist and we, along with our customers, depend on our ability to maintain core functions. Bromford will maintain a skilled workforce, with processes and technology which are tried and tested to withstand a range of severe but plausible incident scenarios. Our appetite is balanced as whilst we will explore new options for providing our services, we remain focused on operating our business to ensure a minimal level of disruption to our customers, brand and reputation.	
Key risks	Mitigations
Major transformation outcomes and benefits	Rigorous programme governance and oversight on major transformation, with internal Board and executive oversight of performance, risks and benefits cases realisation, supported by periodic independent external assurance.
Retain, recruit and motivate engaged colleagues to deliver our strategy and purpose.	A clear strategy with values-based recruitment and embedding of our DNA ensures we retain and attract colleagues aligned to our purpose. Enterprise surveys and monthly monitoring of key performance and risk indicators inform specific actions.
Data Governance	Data use, quality, interpretation and reporting is a critical area. A dedicated data governance group meet to assess business practice, monitor risks and improvement plans and provide reporting to Audit & Risk Committee and Board. Data dashboards and audits validate accuracy, completeness and intended outcomes for key data sets. As part of business transformation data governance is a sub-topic of all 3 rd line assurance exercises across our 2019/20 Internal Audit Plan.
Business operational resilience	Cyber security: Maintaining enterprise grade perimeter and internal security services to protect against attacks. Regular penetration and scenario testing and embedding an integrated information security framework, policy and toolkit. Business continuity and major incident planning: Framework and assessments in place, with regular testing and reporting. This year we have taken the opportunity to review existing practices and move to new integrated approach for our organisation post mergers.

Financial Risk	
The risk of Bromford having inadequate income, cash flow or liquidity to meet current or future requirements and expectations. It includes loss of earnings capacity or liquidity arising from mismatches between Bromford's assets, funding and other commitments and which may be exposed to changes to market rates or conditions.	
Board Risk Appetite	
Financial strength is critical to delivering our vision and our core business effectively. Therefore, we need to maintain financial discipline, strong balance sheets, cash generation capability and allocation of capital. Bromford will operate in line with agreed Golden Rules, which ensure we hold sufficient liquidity resources, with secure counterparties, supported by sustainable earnings, low risk, diverse sources of funding and minimal exposure to market and off-balance sheet risk, to ensure there is no significant risk that our liabilities cannot be met as they fall due. Our appetite is balanced, as we will not accept risks which threaten our financial viability, but we will be open to diverse investment options.	

Board and Strategic Report
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Key Risks	Mitigations
Financial planning and / or insufficient liquidity	Parameters and decision framework, with rigorous monitoring of key financial ratios and liquidity against future spend. Stress testing and mitigation plans reviewed and monitored.
Borrowing new money and access capital markets	Prudent treasury strategy and policies enable access to diverse, low risk funding options; Maintaining strong dual credit rating. Board and Treasury Committee monitoring of available security, excess charge, our market position and bond trading levels support funding strategy and day to day management.
Welfare Reform	Robust Welfare Reform Action plan is in place. Data insight is performed on Universal Credit cases to track and inform future plans to support customers. Stress tests consider reform impacts.

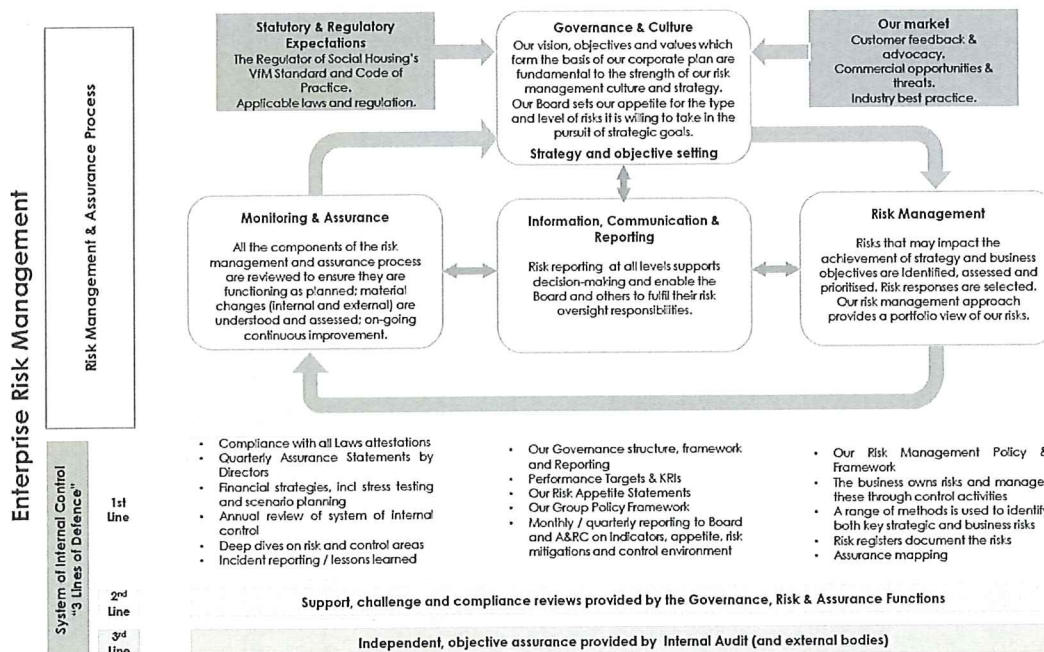
Risk Management at Bromford
Enterprise Risk Management Framework (ERMF)

We manage our risks through an Enterprise Risk Management Framework, which sets out the minimum standards, and associated processes, for successful risk management to support strategic decision making.

The ERMF supports risk management through robust and consistent processes, supported by appropriate tools and guidance, enabling business decisions for delivery of Bromford’s strategy.

Bromford operates a three lines of defence model, ensuring clear separation between risk and control ownership (first line), oversight, support and challenge (second line), and audit assurance (third line). The diagram below sets out our framework;

Risk Management Framework.



One of the Board’s key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manages the operational and strategic risks that threaten our business model, future performance, solvency and liquidity.

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Internal control

The Audit and Risk Committee monitors and reviews the effectiveness of the internal control system, conducts an annual effectiveness review and reports the findings to the Board. The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement or loss.

As part of its annual review process the Audit and Risk Committee considers:

- The Executive Board's annual review of the effectiveness of the internal control system;
- The Risk Register;
- External auditor reports;
- Reports from our Business Assurance provider;
- Internal monitoring reports and key performance indicators;
- Reviews of statutory and regulatory compliance – including safety compliance;
- Financial accounts, budgets, forecast and financial controls.

Some key elements of our internal control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the Board;
- Financial Standing Orders;
- Strong treasury management, supported by external advisors and experts where necessary;
- A clear risk management process and policy;
- Robust strategic and business planning processes;
- A bespoke business assurance programme;
- Up-to-date and innovative recruitment, training and development programmes for colleagues;
- Regular and formal reporting to Board on performance and progress on strategic priorities, targets and outcomes;
- Confidential Reporting and Probity policies;
- Anti-money laundering and fraud policies and registers.

All policies and 'How-to' guides are simple and easy to understand. The latest versions of all policies and 'How-to' guides are accessible to all colleagues on our colleague intranet.

Business Assurance and External Audit is an important way the Audit and Risk Committee obtains assurance that internal controls are in place and working. At the start of each financial year, our Business Assurance provider and external auditor work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

During the year, no significant failings or weaknesses were identified by either our Business Assurance provider or external auditor.

The Board confirms it has an approved fraud policy that covers the prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board.

The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

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The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2019, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Significant issues considered by the Audit and Risk Committee for the year ended 31 March 2019

Significant issues were discussed with management and the external auditor in January 2019 when the Audit and Risk Committee reviewed the *Audit Plan and Strategy for the year*, and at the conclusion of the audit, when the financial statements were reviewed in August 2019.

The committee also considered all relevant reports and findings presented by the external auditor, and also the adequacy of management's response. In addition, the committee reviewed the external auditor's independence, objectivity and effectiveness of the audit. The *Audit Plan and Strategy for the year* identified several key audit matters which are considered below.

The impact of uncertainties due to the UK exiting the European Union	<p>The committee has considered the potential impacts of Brexit on the Association. This includes effects treasury and finances, the new homes development programme, service delivery, procurement and asset management, and also customers. Key considerations include the monitoring of supply chain management, review of inventory and stockholding measures and development exposures and uncertainty. This includes recognising the impact on repairs materials from a legal and customer obligation perspective. This is also considered by the Group Board on a regular basis.</p> <p>The assumptions underpinning the business plan forecasts are also well understood, with appropriate stress testing undertaken in respect of likely Brexit conditions. This is informed by the Bank of England assumptions and stress tests, and evolving political commentary. In addition, Brexit uncertainty has been considered in the context of judgements and estimates relating to the financial statements.</p>
Development assumptions and judgements	<p>The Association's significant development programme continued into this financial year, which was expanded by the approval of the latest new homes business plan. The accounting for these development schemes contains several assumptions and judgements relating to the recovery of work in progress, capitalised costs and the contractual relationships with third party contractors and partners. Consideration was also given to the risk of impairment on significant developments due to time delays, increases in contractor costs and /or budget overruns. The committee considered the risk that appropriate valuation and accounting treatment is not applied to these significant development transactions.</p> <p>Assurances were provided by management to the committee that appropriate assumptions and judgements had been used in the accounting for development schemes, in addition to the external auditor's audit testing and key focus as part of their audit methodology. The committee considered these assumptions and judgements to be applied and appropriately reflected in the financial statements.</p>
Recoverability of inventory	<p>The Association holds stock comprising of properties for sale in relation to shared ownership and outright sales units. This involves the Association to apply estimates in assessing the net realisable value of unsold units and the recoverability of this stock.</p> <p>Management gave assurances to the committee that appropriate assumptions and judgements had been used in arriving at the net realisable value of the units, in addition to the supporting work of the Investment Forum who appraises and monitors the developments of these units. The committee was satisfied from the assurances received, and from the assessments undertaken in the monitoring of these units.</p>

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Financial results

The operating surplus of £5.44m (2018: £5.46m) came from a turnover of £10.06m (2018: £4.45m). The surplus on the sale of housing assets was £1.8m (2018: £2.6m).

The deficit before tax of £1.57m is after a refinancing charge of £6.63m from refinancing the new group structure. This is a one-off charge relating to the transfer of fixed rate loans between group subsidiaries. Before this charge BHO makes a surplus of £5.06m (2018: £5.21m) from underlying business activities.

Corporation tax

Bromford has a tax strategy which includes non-charitable subsidiaries making gift aid payments to charitable subsidiaries. BHO did not make a gift aid payment in 2018/19 due to the refinancing charge of £6.6m from the refinancing of the new group structure (2018: £5.06m gift aid to Bromford Housing Association Limited during the year). The tax charge for the year is £303k (2018: £901k).

Fixed assets

Details of movements in fixed assets during the year are set out in notes 11-14 to the financial statements. The charge for the year for the depreciation of housing properties is £213k (2018: £213k).

Stock and work in progress

Stock and work in progress of £27.5m (2018: £15.9m) includes Land £12.1m (2018: £6.0m), completed outright sale properties £1.0m (2018: £nil), and Work in Progress for outright sales, shared ownership and retirement living schemes of £14.4m (2018: £9.9m).

Treasury management

As at March 2019, £27.2m of loans were drawn, reducing the remaining undrawn facility to £15m. The remainder of this facility is fully secured and has an availability period that expires in June 2019 when it will be drawn. The average interest rate was 5.07%, 100% of loans are on fixed rates.

Covenants

We have been moving to a situation where the majority of our covenants are based on group numbers and are broadly consistent in their composition. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

Operating performance

Operational performance against targets is monitored at Group level and a summary is included within the Annual Report and Financial Statements of BHG. This also includes our VfM report including sector metrics at a Group level.

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for **potential impairment of non-financial assets**. Following the review no impairment was deemed to be required.
- We have accounted for depreciation of assets on a straight line basis. The depreciation basis is reviewed regularly for the each class of asset, and no changes were required.
- All of BHO's **debt financial instruments** are classified as basic. Interest is charged using the effective interest rate method on fixed debt financial instruments.
- The transfer of fixes on certain loans resulted in a one-off refinancing charge of £6,626k during 2018/19 to recognise the mark to market value compared to the original nominal loan value.

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Further details of key estimations can be found within our accounting policies on page 27.

Public Benefit Entity

As a public benefit entity, Bromford Home Ownership Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

Statement of Board's responsibilities in respect of the annual report and the financial statements

The Board are responsible for preparing the Annual Report and the Association financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Board are also responsible for preparing a Strategic Report and a Board Report that complies with that law and those regulations.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Bromford Home Ownership Limited

Board and Strategic Report For the year ended 31 March 2019

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going Concern

In preparing the financial statements, the board members have reviewed the Association's financial plan and has a reasonable expectation that the Association has adequate resources to continue in operational existence to at least January 2021. Regular cash flow forecasting has provided assurance that the company will move to a net asset position in future financial years.

Accordingly, the financial statements set out on pages 23 to 50 have been prepared on a going concern basis.

Viability statement

As required by the provisions of the UK Corporate Governance Code, the Board has undertaken an assessment of the future prospects of Bromford taking into account its current position and principal risks. This incorporates the impact of the partnership with Merlin Housing Society Limited and Severn Vale Housing Society during the year.

This assessment was made using the following core business processes:

Thirty year financial plan (the 'plan') – the BHO board reviews each iteration of the plan during the year as part of its strategic planning process. This process includes detailed stress testing of the FP which involves flexing a number of assumptions underlying the forecast both individually and together under particular scenarios.

Risk management – as set in the risk section of the strategic report, Bromford has a structured approach to the management of risk and the principal risks identified are reviewed regularly by the Board.

Liquidity – based on the output of the plan and regular reforecasting of cashflows, the Board reviews the liquidity position of the Group ensuring funding is secured in accordance with Bromford's treasury policy. In May 2018, the Group issued their debut public bond of £300m, and additional private placement of £100m in February 2019.

In undertaking this assessment a period of three years has been selected. For the initial year of this of this three year period there is a greater level of certainty because detailed annual budgets are prepared and regularly reforecast. Monthly cashflow forecasts are reviewed by the Board covering a rolling 36 months period, and are used to ensure sufficient facilities are in place. The largest single area of spend is the development programme and the bulk of the committed programme completes within this timeframe. Whilst development spend and required facilities are planned over a longer term than three years, the period chosen ensures that the Association is viable beyond its usual development commitment timeframe.

On the basis of this and other matters considered and reviewed by the BHO board during the year, the Board has reasonable expectations that BHO will be able to continue in operation and meet its liabilities as they fall due over the three year period used for this assessment.

Bromford Home Ownership Limited

**Board and Strategic Report
For the year ended 31 March 2019**

Appointment of Auditors

KPMG LLP were appointed as Bromford's external auditors for a period of up to five years to 2021.

This report was approved for issue by the Board on 22 August 2019 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'J' followed by a long horizontal stroke that tapers to the right.

Jonathan Simpson-Dent
Chair

INDEPENDENT AUDITOR'S REPORT TO BROMFORD HOME OWNERSHIP LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Bromford Home Ownership Limited ("the Association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2019 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 12 (*Audit and Risk Committee Report*).

Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in *Recoverability of inventory*, and related disclosures and the appropriateness of the going concern basis of preparation of the accounts. All of these depend on assessments of the future economic environment and the Association's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our response

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

Bromford Home Ownership Limited

Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the Association's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.

Sensitivity analysis – When addressing *Recoverability of inventory* and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

Assessing transparency – As well as assessing individual disclosures as part of our procedures on *Recoverability of inventory* we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Recoverability of inventory

Value of stock and work in progress: £27.5 million; 2018: £15.9 million

Refer to page 12 (Audit and Risk Committee Report), page 33 (accounting policy) and page 43 (financial disclosures)

The risk

Subjective estimate

Property held in stock and work in progress comprises properties which are speculatively developed and are held for sale. In order to assess the net realisable value of property held in stock, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in inventory. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property held in stock and work in progress.

Our response

Our procedures included:

Our sector expertise

Assessing a risk based sample of development sites, selected using criteria including quantum of work in progress and low profit margin, to obtain an understanding of the status of the site focusing on matters relevant to the site valuation, being the status of the development and whether the appraisal reflects any additional unexpected costs.

Benchmarking assumptions

We challenged the forecast revenue included in a sample of site appraisals by reference to market data.

Test of detail

Comparing the value carried in the balance sheet with the sales price achieved for a selection of property sales after the balance sheet date.

Assessing transparency

Critically assessing the adequacy of the Association's disclosures in relation to judgement and estimation in relation to inventory.

Development assumptions and judgements

Value of assets under construction: £6.5 million; 2018: £1.9 million

Refer to page 12 (Audit and Risk Committee Report), pages 30 to 31 (accounting policy) and page 42 (financial disclosures)

Bromford Home Ownership Limited

The risk

Subjective estimate

The Association has a significant development programme. This includes mixed tenure schemes as well as a significant portion of open market sales. The Association has now started to schedule land led developments into its programme.

The accounting of these schemes contains assumptions and judgements relating to the capitalised costs (including internal staff and interest costs and other costs) and as a result there is a potential risk of error.

In addition, the allocation of costs between current asset stock and PPE is based on management's judgement and could therefore be subject to manipulation. It is important that the method used is consistent year on year with an appropriate rationale for the allocation basis. Should costs be incorrectly allocated, this could impact the value of certain tenure types creating impairment issues.

Finally impairment is a potential risk on significant developments where the time delays, increases in construction costs, falling land values, and/or budget overruns occur.

Our response

Our procedures included:

Tests of detail

Assessing a sample of interest capitalised to ensure that it relates to development schemes under construction and assessed the basis of the interest rate used as the weighted average interest rate.

Tests of detail

Assessing the policy for capitalisation of internal development costs against the requirements of FRS 102. For a sample of internal costs capitalised in the period we assessed the appropriateness and correct application of this policy, based on our understanding of the business and status of development projects.

Our sector experience

Reviewed management's impairment assessment and challenged the consideration of impairment triggers on significant developments based on our knowledge of the Association's schemes, comparing these with other source data and results of other inquiries where appropriate.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Association financial statements as a whole was set at £260,000 (2018: £68,000), determined with reference to a benchmark of Gross Assets (2018: total turnover), of which it represents approximately 0.5% (2018: 1.5%).

We consider Gross Assets to be the most appropriate benchmark as the Association is a not-for-profit organisation, therefore any surplus generated is variable and reinvested. The Association's principle activity is the building and management of shared ownership housing as such Gross Assets is deemed to be the most appropriate benchmark for an asset management business.

We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £13,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Bromford Home Ownership Limited

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or to cease their operations, and as they have concluded that the Association's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Association will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Association's business model and analysed how those risks might affect the Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Association's available financial resources over this period were:

- A significant downturn in the economy, including a property market crash; or
- Changes in funding streams, political agenda or ability to develop successful partnerships.

As these were risks that could potentially cast significant doubt on the Association's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Association's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on house prices and future funding, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Association's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Bromford Home Ownership Limited

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement that they have carried out a robust assessment of the principal risks facing the Association, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Association, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Association's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Association's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 14, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

Bromford Home Ownership Limited

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

20 September 2019

Bromford Home Ownership Limited

**Statement of Comprehensive Income
For the year ended 31 March 2019**

		2019 Total	2018 Total
	Notes	£000	£000
Turnover	2	10,061	4,449
Cost of sales	2	(4,683)	(176)
Operating costs	2	(1,838)	(1,461)
Gain on disposal of property assets	2	1,884	2,615
Increase in valuation of investment properties	2,13	18	30
Operating surplus	5	5,442	5,457
Interest receivable	6	23	2
Interest and financing costs	7	(410)	(246)
Financing cost of new group structure		(6,626)	-
(Deficit)/surplus before tax		(1,571)	5,213
Taxation	10	(303)	(901)
(Deficit)/surplus for the year after tax		(1,874)	4,312
Total comprehensive (loss)/income for the year		(1,874)	4,312

The notes on pages 27 to 50 form an integral part of these financial statements

The association's results relate wholly to continuing activities.

There were no recognised gains and losses other than those included in the Statement of Comprehensive Income.

The financial statements on pages 23 to 50 were approved and authorised for issue by the Board on 22 August 2019 and were signed on its behalf by:

 Jonathan Simpson - Dent
Chair

 Robert Nettleton
Chief Executive

 Sarah Beal
Company Secretary

Bromford Home Ownership Limited

Statement of Financial Position

As at 31 March 2019

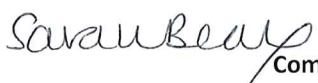
	Notes	2019 £000	2018 £000
Fixed Assets			
Housing properties	11	36,570	33,027
Investment properties	13	693	772
Homebuy loans receivable	14	436	522
		<u>37,699</u>	<u>34,321</u>
Current Assets			
Stocks	15	27,541	15,910
Trade and other debtors	16	1,273	1,093
Cash and cash equivalents	17	852	1,062
		<u>29,666</u>	<u>18,065</u>
Creditors: amounts falling due within one year	18	<u>(5,361)</u>	<u>(5,820)</u>
Net current assets		24,305	12,245
Total assets less current liabilities		<u>62,004</u>	<u>46,566</u>
Creditors - Amounts falling due after more than one year	19	<u>(62,352)</u>	<u>(45,040)</u>
Total net (liabilities)/assets		<u>(348)</u>	<u>1,526</u>
Reserves			
Called up share capital		-	-
Income and expenditure reserve		(348)	1,526
Total reserves		<u>(348)</u>	<u>1,526</u>

The notes on pages 27 to 50 form an integral part of these financial statements

The financial statements on pages 23 to 50 were approved and authorised for issue by the Board on 22 August 2019 and were signed on its behalf by:

 Jonathan Simpson - Dent
Chair

 Robert Nettleton
Chief Executive

 Sarah Beal
Company Secretary

Bromford Home Ownership Limited

Statement of Changes in Equity

As at 31 March 2019

	Income and expenditure reserve £000	Total £000
Balance at 1 April 2017	1,368	1,368
Surplus from Statement of Comprehensive Income	4,312	4,312
Gift aid payment	(5,055)	(5,055)
Tax credit on gift aid	901	901
Balance at 31 March 2018	<hr/> 1,526	<hr/> 1,526
(Deficit) from Statement of Comprehensive Income	(1,874)	(1,874)
Balance at 31 March 2019	<hr/> <u>(348)</u>	<hr/> <u>(348)</u>

The notes on pages 27 to 50 form an integral part of these financial statements

Bromford Home Ownership Limited

Statement of Cash Flows
For the year ended 31 March 2019

	Note	2019		2018	
		£000	£000	£000	£000
Net cash generated from operating activities			(5,666)		(3,615)
Cashflow from investing activities					
Purchase of tangible fixed assets - new housing properties		(5,596)		2,831	
Purchase of tangible fixed assets - existing housing properties		(9)		(5)	
Direct costs of disposal of tangible fixed assets		-		(45)	
Grants (paid) / received		-		150	
Interest received		23		2	
Net cashflow from investing activities			(5,582)		2,933
Cashflow from financing activities					
Gift aid		-		(5,055)	
Interest paid		(961)		(280)	
New secured loans		13,000		6,500	
Repayment of borrowings		(1,000)		-	
Tax paid		-		-	
Net cashflow from financing activities			11,039		1,165
Net change in cash and cash equivalents	25		(209)		483
Cash and cash equivalents at the beginning of the year			1,062		579
Cash and cash equivalents at the end of the year			<u>853</u>		<u>1,062</u>

The notes on pages 27 to 50 form an integral part of these financial statements

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

Legal Status

Bromford Home Ownership Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 29991R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4449). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies across Bromford Group have been aligned for financial reporting and any references to the Group also apply to BHO. The Group's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investment properties and financial instruments and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102. The Association meets the definition of a public benefit entity (PBE).

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association regularly carries out a reassessment of the Association's business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants. The reassessment did not give rise to any significant concerns and the Board consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure** - The Association capitalises development expenditure in accordance with the accounting policy described on page 31. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.
- **Categorisation of housing properties** - The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties and commercial properties are investment properties.
- **Impairment** - The Association has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

**Notes to the Financial Statements
For the year ended 31 March 2019**

Other key sources of estimation and assumptions:

- **Tangible fixed assets** - Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties** - The Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value at the reporting date. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 13.
- **Categorisation of debt** - The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The Association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Impairment of non-financial assets** - Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a Group of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model.

The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Association is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of the indicators of impairment, no adjustment to impairment was required during the year.

- **Leases** - A review of all leases has been carried out to classify leases as either operating or finance. These decisions depend upon an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

- **Rent arrears and bad debt provisions** - The amount of arrears that will not be collected is estimated on past experience of collection of different types of debt. The impact of changes in welfare reform including Universal Credit and benefit cap have been estimated based on data provided from pilot studies and Bromford's experience based on a small population.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income recognised in relation to the period when the goods or services have been supplied.

Rental income (net of voids) is recognised when the property is available for let. Income from property sales is recognised on legal completion. Supporting People income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issuance costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the gross proceeds at issue after deducting any amortised issuance costs.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issuance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that where a tax change arises as a result of an item recognised as other comprehensive income or recognised directly in equity, that tax charge is also recognised in other comprehensive income or directly in equity as appropriate.

Both the current and deferred income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and is not recoverable.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
• Boilers	15
• Heating systems	30
• Kitchens	20
• Bathroom	30
• Roofs	50 to 65
• Windows and doors	25 to 30
• Structure – houses	100 to 130
• Structure – flats	75 to 100
• Structure – rooms and bedsits	40

The Association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
• Motor vehicles	3
• Fixtures, fittings, plant and equipment	5
• Computer software (reclassify as intangible)	3
• Computer hardware	3
• Office buildings	50

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Administration costs relating to component installations are capitalised only to the extent that they are directly attributable to the component.

Intangible fixed assets

Intangible assets are stated at cost, less accumulated amortisation. Amortisation is charged on a straight line basis over the expected economic useful life of the asset as follows:

	Years
• Architect fees	3
• Computer software	3
• Business Transformation costs (Bromford 2point0/ProgrammeOne)	7

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, the total income and costs arising from the property are included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, only the income and costs solely attributable to the Association are included in the Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease.

The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties held by the Association for reasons other than social benefit. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and is derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

HomeBuy

The Association operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG).

On redemption:

- The SHG is recycled;
- The SHG is written off, if a loss occurs, otherwise it is transferred to the Recycled Grant Fund
- The Association keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount payable by the purchaser and reviewed annually for impairment. The associated Homebuy grant from the HCA is recognised as deferred income until the loan is redeemed.

Equity loans purchased from house builders

These are recorded at the lower of cost and net realisable value. An impairment review takes place at the end of each year to ensure that the amount repayable by the debtor at today's prices is greater than cost.

Valuation of investments

Investments in subsidiaries are measured at cost less any accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 30 days which cannot be accessed within 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised as a liability until the performance requirements are met, when the grant is recognised as Turnover.

Social Housing and other Government grants

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the amount of the grant received has been included in the Statement of Financial Position as deferred income. This income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost incurred to date in respect of those properties, the excess is shown as a current liability.

SHG must be recycled by the Association if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. In that event, the amount repayable is shown in the Statement of Financial Position as a subordinated unsecured repayable debt.

Recycling of Capital Grant

Social Housing Grant which has been recycled is transferred to the Recycled Grant Fund and appears as a creditor until it is either used to fund the acquisition of new properties or is repaid.

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Notes to the Financial Statements For the year ended 31 March 2019

Financial instruments

Financial assets and financial liabilities are initially measured at the transaction price adjusted, where the financial asset or liability is not required to be held at fair value, for any directly attributable costs of acquisition.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment;
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value;
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a) The best evidence of fair value is a quoted price in an active market;
- b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate;
- c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- a) All equity instruments regardless of significance; and
- b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

An impairment loss is measured as follows on instruments measured at cost or amortised cost:

- a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in Statement of Comprehensive Income immediately.

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

2019

	Note	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on disposal £000	Revaluation of investment property £000	Operating surplus/ (deficit) £000
2. Turnover and operating surplus							
Social housing lettings							
Housing accommodation	3	153	-	(97)	-	-	56
Supported housing accommodation	3	-	-	(2)	-	-	(2)
Shared ownership accommodation	3	4,034	-	(1,562)	-	-	2,472
		4,187	-	(1,661)	-	-	2,526
Other social housing activities							
Sales and development		-	-	24	-	-	24
Other		9	-	(82)	-	-	(73)
Gain on disposal of property, plant and equipment		-	-	-	1,884	-	1,884
Non-social housing activities							
Market rents		47	-	(3)	-	-	44
Properties developed for outright sale		5,669	(4,597)	(116)	-	-	956
Property development/equity loan sales		149	(86)	-	-	-	63
Decrease in valuation of investment properties		-	-	-	-	18	18
		10,061	(4,683)	(1,838)	1,884	18	5,442

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

	2018	Turnover	Cost of sales	Operating costs	Surplus on disposal	Revaluation on investment property	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000
2. Turnover and operating surplus							
Social housing lettings							
Housing accommodation	3	20	-	(2)	-	-	18
Supported housing accommodation	3	-	-	-	-	-	-
Shared ownership accommodation	3	4,059	-	(1,423)	-	-	2,636
		4,079	-	(1,425)	-	-	2,654
Other social housing activities							
Other		19	-	-	-	-	19
Gain on disposal of property, plant and equipment		-	-	-	2,615	-	2,615
Non-social housing activities							
Market rents		51	-	-	-	-	51
Commercial rents		-	-	(1)	-	-	(1)
Properties developed for outright sale		-	-	(35)	-	-	(35)
Property development/equity loan sales		300	(176)	-	-	-	124
Increase in valuation of investment properties		-	-	-	-	30	30
		4,449	(176)	(1,461)	2,615	30	5,457

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

	2019		2018	
	Housing Accommodation £000	Supported housing for older people and My Place £000	Shared Ownership £000	Total £000
3. Income and Expenditure from social housing lettings				
Income				
Rent receivable net of identifiable service charge	144	-	3,160	3,304
Service charge income	8	-	722	730
Charges for support services	1	-	23	24
Amortised government grants	-	-	129	129
Revenue grants from other sources	-	-	-	-
Turnover from social housing lettings	153	-	4,034	4,187
Expenditure				
Management	20	-	1,031	1,051
Service charge costs	9	-	347	356
Care and support costs	-	-	-	-
Routine maintenance	-	-	-	12
Planned maintenance	8	-	1	9
Major repairs expenditure	2	-	5	7
Bad debts	14	2	9	25
Depreciation of housing properties	44	-	169	213
Operating expenditure on social housing lettings	97	2	1,562	1,661
Operating surplus on social housing lettings	56	(2)	2,472	2,526
Voids	(1)	-	(1)	(3)

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

4. Accommodation - owned, managed and in development	2019	2018
	Number	Number
Under management at the end of the year		
General needs housing - social rent	4	4
General needs housing - affordable rent	19	18
Low-cost home ownership	1,125	1,163
Leasehold	214	185
	<u>1,362</u>	<u>1,370</u>
Under development at the end of the year		
General needs housing - affordable rent	11	-
Supported housing	16	-
Low-cost home ownership	27	17
Properties for outright sale	76	94
	<u>1,492</u>	<u>1,481</u>
Total social housing units	1,492	1,481
Non-social housing		
Market rent	6	7
Offices and resource	2	2
Retained freehold	64	50
	<u>72</u>	<u>59</u>
Total non social housing units	72	59
Total units	1,564	1,540
Owned and managed	1,337	1,345
Owned and managed by others	30	29
Managed for others	67	55
Under development	130	111
	<u>1,564</u>	<u>1,540</u>
Total Units	1,564	1,540

5. Surplus on ordinary activities

The surplus on ordinary activities is stated after charging	2019	2018
	£000	£000
Depreciation of housing properties	213	213
Current auditor's remuneration		
- Audit of financial statements	8	7
	<u>8</u>	<u>7</u>

6. Interest receivable and income from investments

	2019	2018
	£000	£000
Interest receivable from cash, deposits and intragroup loans	23	2
	<u>23</u>	<u>2</u>

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

7. Interest payable and similar charges	2019	2018
	£000	£000
Interest on loans, overdrafts and other financing		
Repayable wholly within five years	42	14
Repayable wholly or partly in more than five years	289	43
	<u>331</u>	<u>57</u>
On loans from Bromford Housing Group Limited	201	212
Other finance charges	34	44
Amortised net finance costs/(premium)	18	18
	<u>584</u>	<u>331</u>
Interest payable capitalised on housing properties under construction 4.03% (2018: 4.10%)	(174)	(85)
	<u>410</u>	<u>246</u>

8. Colleague costs

Colleagues in the Group are employed on a joint and several basis by the Group and its members, details of the colleague numbers and costs are disclosed in the Bromford Group accounts.

9. Directors' emoluments

Emoluments of Directors are paid through Bromford Housing Group Limited and are disclosed in the Group accounts. Directors' emoluments are part of the overheads recharged to the Association, however cannot be separately identified.

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

10. Taxation on surplus on ordinary activities	2019	2018
	£000	£000
Current tax		
UK corporation tax charge on ordinary activities	303	901
Under/(Over) provision in previous years	-	-
Total current tax	<u>-</u>	<u>901</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	<u>303</u>	<u>901</u>
Total tax reconciliation		
(Loss)/Surplus on ordinary activities before taxation	<u>(1,571)</u>	<u>5,213</u>
(Loss)/Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(298)	990
Effects of		
Items not allowable for tax purposes	1	40
Fixed asset differences	-	(469)
Income not taxable for tax purposes		
Chargeable gains	(70)	373
Increase in losses	674	-
Deferred tax not recognised	-	(27)
Revaluation of properties	(4)	(6)
	<u>303</u>	<u>901</u>

Bromford Home Ownership Limited

Notes to the Financial Statements
For the year ended 31 March 2019

11. Tangible fixed assets -
housing properties

	Housing properties held for letting £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership properties under construction £000	Total £000
Cost					
As at 1 April 2018	2,020	1,492	32,159	454	36,125
Additions	1	2,954	-	1,631	4,586
Replacement of components	6	-	3	-	9
Disposals	-	-	(1,036)	-	(1,036)
Transfers from investment property	97	-	-	-	97
As at 31 March 2019	2,124	4,446	31,126	2,085	39,781
Depreciation					
As at 1 April 2018	4	-	3,094	-	3,098
Charge for the year	44	-	169	-	213
Disposals	(40)	-	(60)	-	(100)
As at 31 March 2019	8	-	3,203	-	3,211
Net book value					
As at 31 March 2019	2,116	4,446	27,923	2,085	36,570
As at 31 March 2018	2,016	1,492	29,065	454	33,027

Properties held for security

Bromford Home Ownership - Registered Social Housing Provider - has property pledged as security value (EU - SH and MV - STT) of £46.0m (2018: £44.6m). The number of units on which security was pledged amounted to 1,028 (2018: 1,062).

12. Expenditure on work to existing properties

	2019 £000	2018 £000
Replacement of components	9	4
Amounts charged to income and expenditure account	7	33
	16	37

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

13. Investment properties held for letting	2019	2018
	£000	£000
As at 1 April	772	1,074
Transfer (to) tangible fixed assets - housing properties	(97)	(332)
Gain on transfer of properties	4	-
Gain from adjustment in value		
Market rent investment properties	<u>14</u>	<u>30</u>
As at 31 March	<u>693</u>	<u>772</u>

Investment properties (commercial and market rent) were valued at 31 March 2019 by professional qualified external valuers.

The valuation of market rent properties was undertaken by Jones Lang Lasalle Limited, whilst the commercial properties were valued by Brunton Knowles. Both valuations were carried out in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties, the following significant assumptions were applied

Discount rate	8%
Annual inflation rate	1.5%-6.5%
Level of long term rent increase	<u>1%</u>

14. Homebuy loans	2019	2018
	£000	£000
As at 1 April	522	699
Loans redeemed in the year	<u>(86)</u>	<u>(177)</u>
As at 31 March	<u>436</u>	<u>522</u>

15. Stocks and work in progress	2019	2018
	£000	£000
Land	12,115	5,967
Properties in development for outright sale	12,802	8,905
Cost of first tranche element of shared ownership properties	<u>2,624</u>	<u>1,038</u>
	<u>27,541</u>	<u>15,910</u>
Shared ownership properties		
Completed	-	-
Under construction	<u>2,624</u>	<u>1,038</u>
	<u>2,624</u>	<u>1,038</u>
Properties developed for Outright sale		
Completed	1,038	-
Under Construction	<u>11,764</u>	<u>8,905</u>
	<u>12,802</u>	<u>8,905</u>

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

16. Trade and other debtors	2019	2018
	£000	£000
Amounts falling due within one year		
Rent arrears	112	102
Less: provision for bad debts	(62)	(53)
	<u>50</u>	<u>49</u>
Trade debtors	1	-
Amounts due from group companies	1,071	783
Other debtors	148	215
Prepayments and accrued income	3	46
	<u>1,273</u>	<u>1,093</u>
17. Cash and cash equivalents	2019	2018
	£000	£000
Cash at bank	852	1,062
Cash equivalents	-	-
	<u>852</u>	<u>1,062</u>
18. Creditors: amounts falling due within one year	2019	2018
	£000	£000
Prepaid rental income	103	104
Loans	1,920	1,880
Trade creditors	45	11
Amounts due to group companies	1,001	1,001
Corporation Tax	303	-
Deferred capital grant	129	133
Recycled capital grant fund	1,165	1,865
Accruals and deferred income	695	826
	<u>5,361</u>	<u>5,820</u>

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

19. Creditors: amounts falling due after more than one year	2019	2018
	£000	£000
Loans	25,020	10,788
Amounts due to group companies	23,151	19,151
Deferred capital grant	13,140	13,471
Recycled capital grant fund	1,019	1,609
Deferred taxation	22	21
	<u>62,352</u>	<u>45,040</u>
Loans repayable by instalments		
Repayable within one year	1,606	2,880
Repayable between one and two	1,634	2,920
Repayable between two and five years	16,007	8,824
Repayable after five years	32,158	18,527
Less: Loan finance costs	(314)	(332)
	<u>51,091</u>	<u>32,819</u>
The interest risk profile of loan liabilities are as follows	2019	2018
	£000	£000
Floating rate - average (2018: 0.99%)	-	13,000
Fixed rate - average 5.07% (2018: 5.08%)	27,254	20,151
	<u>27,254</u>	<u>33,151</u>
Undrawn committed borrowing facilities (all secured) at 31 March were	2019	2018
	£000	£000
Expiring within one year	15,000	-
Expiring between one and two	-	25,080
	<u>15,000</u>	<u>25,080</u>
20. Deferred capital grant	2019	2018
	£000	£000
At 1 April	13,607	16,337
Grants received in year	-	150
Transferred to other group association - Bromford Housing Association Limited	(1,573)	(2,225)
Grants recycled from the Recycled Capital Grant Fund and disposal proceeds fund	1,678	-
Grants recycled to the recycled capital grant fund	(373)	(574)
Transferred to third party association	-	(25)
Amortised in year	(129)	(133)
Amortised grant on disposal	59	77
As at 31 March	<u>13,269</u>	<u>13,607</u>
Amount due to be released within one year	129	136
Amount due to be released in more than one year	13,140	13,471
	<u>13,269</u>	<u>13,607</u>

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

21. Recycled capital grant fund	2019	2018
	£000	£000
At 1 April	3,474	2,886
Inputs to reserve		
Grants recycled	373	574
Change of use	-	-
Interest accrued	15	14
Utilised		
New build	(1,678)	-
	2,184	3,474
Amount three years or older where repayment may be required	201*	867

*Consent has been received from Homes England for these funds to be used during 2019/20.

22. Deferred taxation	2019	2018
	£000	£000
As at 1 April	21	-
Origination and reversal of timing differences	-	21
	21	21

23. Share Capital	2019	2018
	£	£
Issued and fully paid		
At 1 April	7	7
Issued	3	-
At 31 March	10	7

24. Reconciliation of net cashflow to movement in net funds	2019	2018
	£000	£000
(Decrease)/increase in cash and cash equivalents per cashflow	(209)	483
Amortisation of loan costs	(18)	-
Increase in creditor for loan payments	22	-
Cash outflow from increase in debt and finance leasing	(18,278)	(6,019)
Change in net debt resulting from cashflows	(18,483)	(5,536)
Movement in net debt for the year	(18,483)	(5,536)
Net funds as at 1 April 2018	(31,757)	(26,221)
Net funds as at 31 March 2019	(50,240)	(31,757)

Bromford Home Ownership Limited

**Notes to the Financial Statements
For the year ended 31 March 2019**

	As at 1 April 2018 £000	Cashflows £000	Amortisation of loan costs £000	Movement in creditors due within one year £000	As at 31 March 2019 £000
25. Analysis of changes in net debt					
Cash at bank and cash equivalents	1,062	(209)	-	-	853
Short term investments	-	-	-	-	-
	<u>1,062</u>	<u>(209)</u>	<u>-</u>	<u>-</u>	<u>853</u>
Other loans					
Housing loans due within one year	(2,880)	2,880	-	(2,921)	(2,921)
Housing loans due after more than one year	(29,939)	(21,158)	(18)	2,943	(48,172)
Change in debt resulting from cashflows	<u>(31,757)</u>	<u>(18,487)</u>	<u>(18)</u>	<u>22</u>	<u>(50,240)</u>
26. Cash flow from operating activities				2019 £000	2018 £000
Surplus for the year				(1,874)	4,312
Adjustments for non-cash items					
Depreciation of tangible fixed assets - housing properties				213	213
Amortisation of government grant				(67)	(133)
(Increase) in stock				(11,631)	(7,892)
Decrease/(increase) in trade and other debtors				8	(3)
Increase in trade and other creditors				1,131	343
(Decrease) in intergroup balances				(1,782)	(3,478)
Carrying amount of tangible fixed assets disposals				952	1,757
Grant transfer to net off cash disposal proceeds				-	(25)
Fair value of loan				6,626	-
Adjustments for investing or financing activities					
Movement on shared equity loans				86	176
Movement in value of investment property				(18)	(30)
Interest payable				410	246
Interest receivable				(23)	(2)
Gift aid				-	(901)
Tax credit on gift aid				-	901
Tax				303	901
Net cash generated from operating activities				<u>(5,666)</u>	<u>(3,615)</u>

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

27. Capital commitments	2019	2018
	£000	£000
Capital expenditure contracted for but not provided for in the financial statements	<u>1,578</u>	<u>3,772</u>
Capital expenditure authorised by not yet contracted for	<u>-</u>	<u>460</u>

These commitments are to be financed by the receipt of social housing grant and a mixture of loan finance, reserves and proceeds from the sales of housing properties as follows

Social housing grant	73	242
Proceeds from the sale of properties	1,184	3,259
Loans and reserves	321	731
	<u>1,578</u>	<u>4,232</u>

28. Grant and financial assistance

The total accumulated government grant and financial assistance received or receivable at 31 March was as follows

	2019	2018
	£000	£000
Held as deferred capital grant	13,269	13,607
Recognised as income in Statement of Comprehensive Income	2,115	2,355
	<u>15,384</u>	<u>15,962</u>

Bromford Home Ownership Limited

Notes to the Financial Statements
For the year ended 31 March 2019

29. Financial instruments

The company's financial instruments may be analysed as follows

	2019 £000	2018 £000
Financial assets		
Financial assets measured at amortised cost		
Rent debtors	50	49
Other receivables	1,226	215
Cash and cash equivalents	852	1,062
Financial assets that are debt instruments measured at amortised cost		
Homebuy loans	436	522
Total financial assets	<u>2,564</u>	<u>1,848</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	45	11
Other creditors	24,174	10,958
Financial liabilities that are debt instruments measured at amortised cost		
Loans payable - due within one year	1,920	1,880
Loans payable - due after more than one year	25,020	10,788
Total financial liabilities	<u>51,159</u>	<u>23,637</u>

30. Sale of properties not developed for outright sale and other fixed assets

	Proceeds of sales £000	Cost of sales £000	Surplus £000	Capital grant recycled £000
Further tranches of shared ownership	2,917	(1,033)	1,884	319
Other property disposals	-	-	-	54
Total 2019	<u>2,917</u>	<u>(1,033)</u>	<u>1,884</u>	<u>373</u>
Total 2018	<u>4,372</u>	<u>(1,757)</u>	<u>2,615</u>	<u>574</u>

Bromford Home Ownership Limited

Notes to the Financial Statements For the year ended 31 March 2019

31. Related party transactions

Transactions with non-regulated members of the Group

	2019	2018
	£000	£000
Bromford Developments Limited - construction services	<u>6,338</u>	<u>6,172</u>

Bromford Home Ownership Limited has the following debtor intercompany balances with non-regulated group members

	2019	2018
	£000	£000
Bromford Developments Limited	<u>500</u>	<u>520</u>

Bromford Developments Limited provides development services through the construction of housing properties on behalf of the Bromford Home Ownership Limited. Amounts paid by Bromford Home Ownership Limited to Bromford Developments Limited are stated above.

32. Parent Entity

The company's ultimate parent organisation is Bromford Housing Group Limited registered in England and Wales under the Co-operative & Community Benefit Societies Act 2014 (Registered Society Number 29996R).

Copies of Group financial statements for Bromford Housing Group are available from; 1 Exchange Court, Brabourne Avenue, Wolverhampton Business Park, Wolverhampton, WV10 6AU.